

C-O-P-Y

THE WHITE HOUSE
WASHINGTON

January 15, 1962

MEMORANDUM TO: The Secretary of State

NATIONAL SECURITY ACTION MEMORANDUM NO. 123

SUBJECT: Policy Toward Yugoslavia

As a result of discussions with representatives of the interested departments on Monday, January 15, 1962, at 5:15 PM, the President reached the following decisions:

1. Technical Assistance - A technical assistance program of the magnitude of \$500,000 - \$750,000 should be continued in the current fiscal year under the Development Grant category of AID funds. The desirability of continuing technical assistance beyond FY-62 will be the subject of review after an evaluation by Ambassador Kennan, who will submit a rounded recommendation.
2. Loan Assistance - The U.S. will grant development loan assistance of about \$10 million in FY-62, and it is hoped that the Export-Import Bank will give priority attention to Yugoslav applications for additional loan funds up to \$10 million. Terms of DLF Loans should approach those of the Export-Import Bank. The problem of appropriate levels of assistance for FY-63 will be reviewed by the Department of State, but meanwhile the Government will plan to go ahead with a modest level of development loan assistance in FY-63. The President does not wish an abrupt cut-off in this kind of aid at the end of FY-62.
- The United States Government will also seek to increase the interest of other Western governments--especially Italy--in credits to Yugoslavia.
3. PL 480 - PL 480 agreements with Yugoslavia should be considered from time to time to meet minimum Yugoslav consumption requirements. It is expected that there will be an increasing shift from Title I to Title IV assistance, while Title III assistance will, as recommended, be gradually phased out over a period of years.
4. Military Sales - Continued military sales to Yugoslavia are approved to the extent that they amount to no more than reasonable spare

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parts and supplies for existing equipment. It is not expected or desired that Yugoslav military personnel will receive training in the United States, and future Yugoslav applications for other new military purchases should be reviewed case by case.

5. Export Licenses - Yugoslavia should be considered on the same basis as non-Soviet Bloc nations for export licenses, on the understanding that license applications will be reviewed with appropriate care, and that appropriate efforts will be made through the Embassy to ensure against transshipments, to the Bloc, of goods falling within Cocom and U.S. strategic criteria.

In reaching these conclusions, the President made the following additional requests:

1. That Ambassador Kennan should write a brief explaining the reasons for U.S. aid to Yugoslavia. This brief should then be used as appropriate in defending the program before Congress and in public statements.

2. That the Italian, Austrian and Greek Governments should be asked for their opinions with respect to policy toward Yugoslavia. If, as we expect, these comments support the current general line of U. S. policy, they may also be helpful in explaining our policy within the United States.

McGeorge Bundy

cc:

The Secretary of Defense
The Secretary of the Treasury
The Director, Agency for International Development
The Director of Central Intelligence
The Director, Bureau of the Budget
The President, Export-Import Bank

cc: Mrs. Lincoln
Mr. Bundy's file
Smith/CE Johnson
NSC Files